

**CALENDAR ITEM
C48**

A 37
S 19

02/07/17
PRC 7163.1
K. Foster

REVISION OF RENT AND ACCEPTANCE OF BACK RENT

LESSEE:

ExxonMobil Corporation

AREA, LAND TYPE, AND LOCATION:

34 acres, more or less, of sovereign land in the Pacific Ocean, offshore of El Capitan State Beach, near the city of Goleta, Santa Barbara County.

AUTHORIZED USE:

Continued use and maintenance of pipelines transporting crude oil/water emulsion, a treated water outfall line, and power cables between the Las Flores Marine Terminal facility and the Lessee's Santa Ynez Unit offshore oil platforms.

LEASE TERM:

34 years, beginning February 1, 1988.

CONSIDERATION:

This lease provides that the Lessor may modify the rent periodically during the lease term. Pursuant to this provision, staff conducted a review of the rent under this lease and recommends that rent be revised from \$161,700 per year to \$178,145 per year, effective February 1, 2017.

OTHER PERTINENT INFORMATION:

1. On January 21, 1988, the Commission authorized the issuance of Lease No. PRC 7163.1, a General Lease – Right-of-Way Use, for a 34-year term ending January 31, 2022, to Exxon Corporation (now ExxonMobil Corporation), for a crude oil/water emulsion pipeline, a treated water outfall line, and three power cables connecting ExxonMobil's Las Flores Canyon facility to its Santa Ynez Unit oil platforms ([Calendar Item C47, January 21, 1988](#)).
2. The lease requires rent to be adjusted annually by application of the Gross National Product Implicit Price Deflator. However, at the last rent revision, authorized by the Commission on August 20, 2010, the rent was set at

CALENDAR ITEM NO. C48 (CONT'D)

\$161,700 and has inadvertently remained flat since that time ([Calendar Item C35, August 20, 2010](#)). In addition to the revision of rent, staff recommends that rent continue to be adjusted on an annual basis in accordance with the lease terms.

3. Staff also recommends the acceptance of back rent in the amount of \$40,674, which represents the difference between the rent that should have been paid according to the lease terms and the rent that was incorrectly billed and paid for the period between February 1, 2011 and February 1, 2017. Because the discrepancy in rent owed was due to an error by Commission staff, staff recommends that no penalty and interest be applied to the back rent amount, subject to California Code of Regulations, title 2, section 1911, subdivision (c)(1)(A).
4. The Lease requires ExxonMobil to conduct internal inspections of its emulsion pipeline within the lease area "...every year unless otherwise approved by Lessor's engineering staff or otherwise required by law or emergency conditions." The Lease also requires ExxonMobil to submit the results of those inspections and reports to the Commission. In addition, the Lease requires external inspections using side-scan sonar to be conducted "...at least once each year to identify all exposed portions of the pipeline...", with records of each inspection to be submitted to the Commission. ExxonMobil has submitted the required reports and is up-to-date on all the inspection requirements. Staff has reviewed the inspection reports and there does not appear to be any substantive irregularities identified in the report.
5. This action is consistent with Strategy 2.2 of the Commission's Strategic Plan to ensure timely receipt of revenues and royalties from the use and development of State lands and minerals.
6. Approving the revision of rent and acceptance of back rent are not projects as defined by the California Environmental Quality Act because they are administrative actions that will not result in direct or indirect physical changes in the environment.

Authority: Public Resources Code section 21065 and California Code of Regulations, title 14, section 15378, subdivision (b)(5).

EXHIBIT:

- A. Site and Location Map

CALENDAR ITEM NO. **C48** (CONT'D)

RECOMMENDED ACTION:

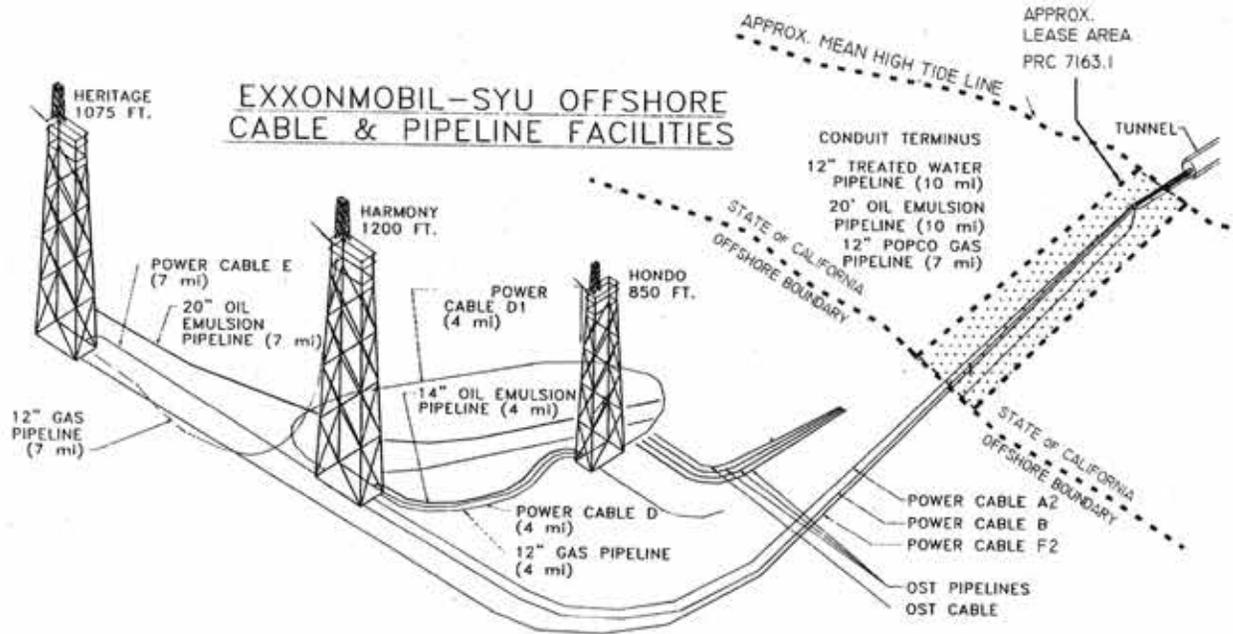
It is recommended that the Commission:

AUTHORIZATION:

1. Approve the revision of rent for Lease No. PRC 7163.1 from \$161,700 per year to \$178,145 per year, effective February 1, 2017, with annual adjustments as provided in the lease.
2. Waive the interest and penalty associated with the previous years' rent calculations.
3. Accept back rent in the amount of \$40,674 for the period between February 1, 2011 and February 1, 2017.

NO SCALE

SITE MAP



ExxonMobil Corporation
 Offshore of El Capitan State Beach, Santa Barbara County

LOCATION MAP NO SCALE



MAP SOURCE: USGS QUAD

This exhibit is solely for purposes of generally defining the lease premises, is based on unverified information provided by the Lessee or other parties, and is not intended to be, nor shall it be construed as a waiver or limitation of any State interest in the subject or any other property.

Exhibit A

PRC 7163.1
 EXXON MOBIL CORP.
 GENERAL LEASE -
 RIGHT - OF - WAY USE
 SANTA BARBARA COUNTY



DJF 12/16